



# **GMB Response to the Low Pay Commission General Consultation on National Minimum Wage 2013**

## **SUMMARY**

- **GMB continues to push for the removal of age related rates and as a start the adult rate to be paid at 18. Failing that, the youth and development rates should increase by the same percentage as the adult rate.**
  - **Increase the apprentice minimum wage at least in line with inflation**
  - **Interns should be paid at least the National Minimum Wage and there should be targeted enforcement**
  - **Maintain funding and resources to ensure effective enforcement**
  - **The National Minimum Wage Rates for 2014 should increase in line with RPI with a view to moving towards £8 an hour making NMW a true “living wage”. GMB will be pressing the Labour Party to commit itself to a National Living Wage in their policy review**
- ✓ ***The Adult rate should increase to at least £6.51***
  - ✓ ***The Development rate for 18-20 year olds should increase to at least £5.19***
  - ✓ ***The 16-17 year old rate should increase to at least £3.84***
  - ✓ ***The Apprentice rate should increase to at least £2.76***

Our submission is in two Sections: one concentrating on the key points of the remit and a brief second section highlighting areas that we wish to bring to the attention of the Low Pay Commission.

## **SECTION 1**

### **1.1 Introduction**

GMB is the United Kingdom's third largest trade union with over 620,000 members in all sectors of UK economy, in both the public and private sector ranging from low paid workers to highly paid, highly skilled, technical and managerial grades.

### **1.2 GMB Membership**

GMB's membership in the private sector is growing twice as fast as our membership overall and at the moment much faster than in the public sector. Specifically, we are seeing membership growth in retail, utilities, security, schools and contracted out services. Through our collective agreements, GMB and other unions continue to push for improved pay and conditions in these private services.

GMB campaigns for fair wages in order to close the gap between pay and cost of living; our members have seen a squeeze on living standards as inflation rises above pay and our members see pay inequalities with those at the top being awarded more than the lower paid staff, especially in the Public Sector. As an example, typical council jobs which pay around the Minimum Wage (£6.30/£6.38ph) are home helps, school dinner staff, teaching assistants, cleaners, grave diggers, admin assistants, sure-start workers, refuse staff, caretakers, meals on wheels staff, care workers and school crossing patrols. We need the Low Pay Commission to be bold this year to ensure that our Public Sector Workers do not fall behind especially as they are coming out of their wage freeze.

### **1.3 Role of the Low Pay Commission**

GMB continues to support the independence and work of the Low Pay Commission who set the rate for over a million workers. GMB feels that the Commission is more than capable of taking on a wider role in looking at the causes of low pay. At the time of writing, Ed Miliband has appointed Alan Buckle from KPMG, to investigate how the role and powers of the Low Pay Commission could be extended to

strengthen the minimum wage and we await being able to be included in this consultation.

#### **1.4 Sectoral Minimum Wage?**

The “Buckle” Consultation may pick up on George Bain’s idea thoughts that after having a National Minimum Wage for 15 years, the time has come to be more creative. A suggestion has been made for a sectoral minimum wage to assist with the traditional low paying sectors such as care workers and hairdressers. Firstly, GMB would welcome a specific taskforce to tackle exploitation in the care sector. Secondly, on sectoral pay, it is our view that this is likely to be administratively difficult to keep up to date due to the variations of companies by size and their pay anniversaries. This would have been a lot easier with Wages Councils in place. Also it is GMB’s view that if sectoral pay was to be considered, it would be too complicated to also have age rates and sector rates so we would suggest the age rates should be removed and a single rate be devised per sector.

#### **1.5 GMB’s recommendations for October 2013**

The underlying rationale for the Low Pay Commission is to try to end low pay. This must mean improving real wages at the bottom end of the labour market, within the constraints of employer affordability. We fully support the TUC submission and agree that the LPC should go beyond keeping pace with the growth in prices and earnings for the coming year.

We call for a significant rise in NMW but we recognize that NMW is merely a floor so GMB continue to campaign for Living Wage agreements.

GMB believes that the Low Pay Commission should recommend rates that at least keep pace with RPI and average earnings forecasts. Forecasts are for RPI inflation to fall to around 3% by the end of 2013 and be around 3.1% in 2013, whilst CPI looks to move higher than its 2% target.

In terms of pay growth, this summer saw news that wages in the UK have fallen further in real terms during the economic downturn than in many other economies in the EU. However forecasters predict that nominal wage growth seems to be recovering, albeit very slowly, and the rate of growth is still some way below inflation. Earnings growth is expected to pick up gradually over the remaining quarters of 2013 and rise slightly to between 2.2 and 2.4% over the first half of 2014.

At the time of writing, the Treasury forecasts are as follows:

Average of forecasts	Q4 2013	Q4 2014	Source
RPI Inflation forecast	3 %	3.1%	HM Treasury
CPI Inflation forecast	2.5%	2.5%	HM Treasury
Average Earnings growth	1.5 %	2.4%	HM Treasury

**Source:** HM Treasury forecasts for the UK economy, August 2013

Based on these figures, we have a range of rates below and GMB would recommend an increase of at least in line with RPI (Figures illustrated in A). Given that average earnings are predicted to rise for the next two years, there should be room for a larger increase in October 2014 than in 2013.

	October 2013 Rates	£6.31	£5.03	£3.72	£2.68
	Suggested rates for 2013	Adult (Over 21)	Development (18-21)	Youth (16-17)	Apprentice
	2.5% CPI inflation forecast	£6.47	£5.16	£3.81	£2.75
	2.4% Average earnings growth	£6.46	£5.15	£3.81	£2.74
<b>A</b>	<b>3.1% RPI inflation forecast</b>	<b>£6.51</b>	<b>£5.19</b>	<b>£3.84</b>	<b>£2.76</b>
<b>B</b>	<b>GMB Target</b>	<b>£8.00</b>	<b>£8.00</b>	<b>£8.00</b>	
<b>C</b>	<b>Bold step to move from current NMW rates to the GMB Target of £8</b>	<b>£7.15</b>	<b>£6.51</b>	<b>£5.86</b>	

It is current GMB policy for the National Minimum Wage to be increased to £8 per hour (figures illustrated in B) to become a “living wage and this was reinforced at our GMB Congresses in 2012 and 2013

We do understand that these rates are well above the NMW and may be unrealistic in the current economic climate but it serves to remind us just how far the gap is growing. A bold move might be to bite the bullet and move the rates somewhere between the current values and £8 and these figures are illustrated in C above.

We await the “Buckle consultation” as it is reported that this is likely to look at ways to restore the value of the minimum wage so that it catches up with where it was in 2010 and we bear in mind that the Labour Party has announced that if the national minimum wage had risen in line with the cost of living it would be 45p an hour higher than the current rate.

## **1.6 Living Wage**

The Living Wage has become more widely debated over 2013 especially as monthly expenses have been bloated by debt repayments and rising transport and fuel costs, leaving families with less spending power. GMB members are of the view that whilst the NMW is a useful wages floor, its value has dropped in real terms, due to the fact that it rises in line with median pay which has fallen behind inflation in recent years. This has resulted in around 3.6m people who are above the legal minimum but below the “living wage”. On current forecasts, the gap between the minimum wage and the living wage could only widen in the coming years. The 5.5 per cent reduction in average hourly wages since mid-2010, adjusted for inflation, means British workers have felt the squeeze more than those in other EU countries and an analysis of Office for Budget Responsibility forecasts shows workers will have lost £6,660 by the time of the next election and incomes will be £1,520 lower in real terms in 2015 than in 2010.

There is a role for both the Living Wage and the NMW but it is GMB Policy that the NMW be replaced by a fairer “Living Wage” to move more people out of poverty. However we do understand that the Minimum Wage takes into account employment effects whereas the Living Wage is a formula that reflects living standards.

A move to a Living Wage would benefit families, providing them with an acceptable standard of living especially with high food, transport costs and fuel inflation and takes into account regional variations. Over the past decade, minimum household budgets have risen by 45 per cent, against the CPI’s 30 per cent.

Working people have a right to decent minimum standards and a recent Joseph Rowntree Study shows that for a minimum acceptable living standard, a single person needs to earn at least £16,850 a year before tax in 2013 (equivalent to £8.62 an hour). Couples with two children, both working full time, need to earn at least £19,400 each (equivalent to £9.91 an hour)

The Resolution Foundation estimates that if everyone were paid the living wage, the Government would save £2.2bn a year through higher tax and NI receipts and lower spending on tax credits and benefits. From initial sounding by Ed Miliband at the TUC Congress and Labour Party Conference, 2015 is likely to see a “living standards election,” with the Labour manifesto pledging an encouragement for firms to pay Living Wage rather than a pledge to impose a living wage on firms by legislation.

**GMB recommendation:** The higher of average earnings or RPI increases with a view to moving towards £8 an hour making NMW a “living wage”. GMB will also be pressing the Labour Party to commit itself to a National Living Wage in their Election Manifesto

### 1.7 Young People

Young People and Apprenticeships are the two areas that need encouragement. We need to encourage these to go into work or go into vocational training not join the increasing ranks of the youth unemployed.

Together with the TUC, GMB are concerned with the rising youth unemployment figures for young people and the effect of the cuts on this age group especially in youth and community services. We fully support the detailed submission made by the TUC. However we note that due to the increase in participation age, anyone starting year 11 in September 2013, will stay in education or training until they're 18 years old or until they have completed a full level 3 qualification so the youth labour market in 2014 will be effected as a result.

### 1.8 Age Related Rates

GMB has a longstanding policy to see the removal of age related rates and at the minimum for the adult rate be paid from the age of 18 rather than the present age 21. A large number of employers already pay adult rate at 18. It remains our policy for workers to receive the same rate where they are doing the same job, regardless of age. Many good employers pay the rate for the job not the age but there are still many who exploit training rates. Young people are facing more and more obstacles; the loss of EMA, increased travel and living costs have increased, and increased youth unemployment. Therefore we feel a key challenge for the LPC is to ensure that there is a considerable increase in the youth rate for 2014.

**GMB recommendation:** GMB continues to call for adult rate to be paid at 18. Failing that, the youth and development rates should increase by the same percentage as the adult rate.

## 1.9 Apprentices

From 1 October 2013, the apprentice rate will have been in force for 4 years. GMB wish to see this rate increased each year of the apprenticeship and not just be a single rate. We believe that there still continues to be a gender pay gap for apprentices. The apprentice rate should be at the very least increased in line with RPI but we feel that a higher increase is needed.

**GMB Recommendation: Increase the apprentice minimum wage at least in line with inflation**

## 1.10 Internships

GMB supports fair wages and is opposed to any worker working for free, this undermines wages and conditions for all workers. Unpaid internships, exploit workers, creates a real financial barrier and prevents equal opportunities. People from low income background will be deterred in applying for an internship. Companies need to recognise that the work carried out by these interns is “real work” and should be paid as such. Under employment law, anyone who works set hours, carries out set tasks and contributes value to an organisation are “workers” and so should be entitled to the minimum wage.. However, we understand that unpaid internships are on the rise, and are increasingly the only option to gain valuable work experience for those who have recently left education and found themselves at the bottom of the career ladder and Internships have always been a career track option for those wanting to work in particularly highly sought-after jobs in difficult sectors, such as national journalism for major newspapers. But now internships are becoming the norm, rather than an exception. However fewer people can afford to live for more than three months with no pay. Interns will not want to argue with their “employer” for fear of losing their placement and so this abuse continues.

**GMB Recommendation: Interns should be paid at least the National Minimum Wage, there should be targeted enforcement and there should be increased awareness of their rights**

### **1.11 Compliance and Enforcement**

We note that the 5 year compliance strategy with HMRC comes to an end in 2015 and as stated by TUC we are concerned that the budget for enforcement has been frozen for 5 years. Effective enforcement is vital to the continuing success of the NMW. We need to continue to raise awareness and have this “joined up” approach and the Pay and Work Rights Helpline is essential for providing access to assistance. GMB sees it as a high priority to maintain current funding for monitoring and enforcement and to keep the enforcement regime under review.

We are disappointed at the small numbers of employers who have been “named and shamed” GMB looks forward to seeing if the new rules which come into effect from 1 October 2013 making it easier to name and shame rogue businesses will have an effect, these are long overdue. We do feel that as a deterrent, the current system has not worked with only a handful of employers been taken to court. We welcome Ed Miliband’s recent announcement that he would strengthen the enforcement of the minimum wage first by increasing the fines from £5,000 to £50,000, then by giving councils a greater role in enforcement.

**GMB Recommendation: Maintain funding and resources to ensure effective enforcement**

### **1.12 Awareness and Guidance**

A number of reports and recent press releases from the Governments Money Advice Service, highlight the number of British adults who are struggling with debt, unable to pay bills, and this is further hampered by their poor financial skills. Bearing all this in mind, there needs to be simpler guidance available especially for the young workers on their pay, tax coding, NMW and their rights and GMB would like to see more use of “i-phone” type apps or social media to give people this information.

With the Governments move to a single website GovUK, we have found that this simple approach has led to detailed information being omitted and content is misleading or unclear. We endorse TUC’s concern on this as highlighted in their submission and would welcome working with the relevant Government departments to ensure that the guidance is clear and concise.

## SECTION 2

### 2.1 ZERO HOURS

In our response to the Low Pay Commission last year, GMB gave examples of Zero Hours Contracts and how those workers irregular working patterns meant that they were low paid and their increasing use signifies a move towards employers avoiding full time workers paying NMW. We asked whether the Low Pay Commission might consider looking at Zero Hours contracts and other precarious contracts.

Since then, GMB have discovered instances where employees working Zero Hours Contracts (ZHC) are facing abuse and are unaware of their rights and the whole issue of Zero Hours Contracts has had significant media attention.

At the oral evidence session, GMB gave an example of a local authority “meals on wheels” contract being transferred to a private contractor on a zero hours contract and the employee’s pay and conditions were significantly worsened. As an example the hourly rate for a driver was reduced from over £8 an hour to £6.08 and the workers also had to provide, insure and maintain their own vehicles instead of using a company vehicle. In addition, the meal co-ordinators pay was reduced from over £13 an hour to between £6.50 and £7. Some staff were dismissed and the case went to tribunal. In May 2013, the result was that they had been unfairly dismissed.

GMB feel that the Low Pay Commission should look at this type of worker with a view to closing the loopholes and ensure that they understand their rights.

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